

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6532

BILL NUMBER: HB 1065

NOTE PREPARED: Dec 20, 2010

BILL AMENDED:

SUBJECT: Property Taxation of Annexed Agricultural Land.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill provides that certain property annexed by a municipality with the consent of the property owner is exempt from property tax liability for municipal purposes if the property is assessed as agricultural property under the rules of the Department of Local Government Finance (DLGF).

Effective Date: January 1, 2011 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, if land that is zoned as agricultural is annexed by a municipality under a consent annexation, then that agriculturally zoned land is exempt from municipal property tax. The exemption remains in effect until the property's classification is changed. If the annexation ordinance was adopted after June 30, 2006, then the exemption is limited to 10 years.

Under this proposal, beginning with property tax payable in 2012, the exemption would also apply if the land is assessed as agricultural land even if it is not zoned as such. The exemption would remain in effect until the land is no longer assessed as agricultural land, or for up to 10 years if the annexation ordinance was adopted after June 30, 2006.

Beginning with property tax payable in 2012, this exemption would also apply to agriculturally assessed

property that was annexed under a consent annexation if the ordinance was adopted before this bill becomes effective.

For existing annexations, this provision would reduce the property tax base for municipalities by the amount that was added for the agriculturally assessed land. Agricultural land has a relatively low value for property tax purposes. Exemptions of this type of property from property taxes would probably not represent very much valuation compared to the municipality's existing tax base. This provision would shift a minimal amount of municipal property taxes from the agriculturally assessed land to all other municipal taxpayers. The amount shifted to other taxpayers would essentially be the same amount that was originally shifted from the other taxpayers to the agriculturally assessed land.

For future annexations, this provision would keep the value of this property from being added to the municipality's tax base until the land use changes or the 10-year limit (if any) is reached. The exemption would prevent the shifting of municipal property taxes onto agricultural land.

Municipalities may annex agricultural property in anticipation of a future project. A building project would ultimately shift taxes from other taxpayers to the former agricultural land and its improvements.

State Agencies Affected:

Local Agencies Affected: Municipalities.

Information Sources:

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